



Heron Resources Limited

ACN 068 263 098

UNAUDITED INTERIM FINANCIAL REPORT

(Prepared by Management)

For the three and nine months ended 31 March 2015



Heron Resources Limited

Corporate Directory

ABN 30 068 263 098

DIRECTORS

Chairman (Non-Executive)

Craig Readhead BJuris LL.B. FAICD

Managing Director (Executive)

Wayne Taylor BE (Min.), MBA, MAusIMM

Director (Executive)

Ian Buchhorn BSc (Hons), DiplGeosci (Min Econ), MAusIMM

Director (Non-Executive)

Stephen Dennis BCom, LL.B., GDipAppFin (Finsia), CFTP

Director (Non-Executive)

Borden Putnam III MSc, RPG

Director (Non-Executive)

Fiona Robertson MA (Oxon), M AusIMM, FAICD

COMPANY SECRETARY

Simon Smith B.Bus, CA

REGISTERED AND PERTH MANAGEMENT OFFICE

Level 1, 37 Ord Street

West Perth 6005 Western Australia

Telephone: (08) 6500 9200

International +61 8 6500 9200

Sydney Study Office

Level 7, 191 Clarence Street

Sydney 2000 New South Wales

Telephone: (02) 9119 8111

International +61 2 9119 811

Woodlawn Site Office

Collector Road, Tarago 2580 New South Wales

Email: heron@heronresources.com.au

Website: www.heronresources.com.au

Canadian contact

Ms Carolyn Muir

Telephone +1 905 727 8688

AUDITOR

Butler Settineri (Audit) Pty Ltd

Unit 16, 1st Floor, 100 Railway Road

Subiaco 6008 Western Australia

BANKERS

Westpac Bank

230-236 Hannan Street

Kalgoorlie 6430 Western Australia

Cover: Aerial photograph of the Woodlawn mine site.

SHARE REGISTRY (Australia)

Security Transfer Registrars Pty Ltd

770 Canning Highway

Applecross 6153 Western Australia

Telephone: (08) 9315 2333

SHARE REGISTRY (Canada)

TMX Equity Transfer Services Inc.

200 University Avenue, Suite 400

Toronto, Ontario M5H 4H1

Telephone: 416 361 0152

The company is listed on both the Australian Stock Exchange (ASX) under the symbol HRR and the Toronto Stock Exchange (TSX) under the symbol HER

SOLICITORS TO THE COMPANY

Allion Legal Pty Ltd

50 Kings Park Road

West Perth 6005 Western Australia

Resources Legal Pty Ltd

1A Rosemead Rd

Hornsby 2077 New South Wales

Peterson & Company, LLP

390 Bay Street, Suite 806

Toronto, Ontario M5H 2Y2

STOCK EXCHANGE

Australian Securities Exchange Limited

2 The Esplanade

Perth 6000 Western Australia

ASX CODE HRR

Toronto Stock Exchange

TMX Group Ltd

The Exchange Tower

130 King Street West

Toronto, Ontario M5X 1J2

TSX CODE HER

SEAT ABBREVIATION

Heron

HOME BRANCH

Perth

INDUSTRY CLASSIFICATION

GICS classification code is 15104020

Diversified Metals and Mining

ISIN AU000 000 HRR6



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ABN 30 068 263 098

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(Prepared by Management)

For the three and nine months ended 31 March 2015

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Management Comments on Unaudited Consolidated Financial Statements

17 April 2015

To the Shareholders of Heron Resources Limited,

The accompanying unaudited interim Consolidated Financial Statements of Heron Resources Limited for the 9 and 3 month periods ended 31 March 2015 have been prepared by management and have been approved by the Board of Directors of the Company.

The Company's independent auditor has not performed a review of these interim Consolidated Financial Statements for the 9 and 3 month periods ended 31 March 2015.

For further commentary on the operations of Heron during the quarter ended 31 March 2015, please refer to the Management Discussion and Analysis report lodged on the ASX and TSX on 17 April 2015 and posted on the Heron website at www.heronresources.com.au.

Heron Resources Limited



C Readhead
Chairman



S Dennis
Chairman- Audit Committee

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE AND NINE MONTHS ENDED 31 MARCH 2015

All amounts shown are expressed in Australian dollars

		Three months ended 31 March		Nine months ended 31 March	
	Notes	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Continuing operations					
Revenue from Continuing Activities	2	220	342	946	1,096
Accountancy and Audit Fees		-	-	(25)	(17)
Consultants		-	(49)	(132)	(146)
Depreciation expense		(14)	(12)	(38)	(44)
Directors Fees		(63)	(44)	(169)	(130)
Wages, salaries and employee benefits		(271)	(75)	(818)	(224)
Insurance expense		(17)	(14)	(114)	(43)
Legal Fees		(23)	(108)	(124)	(134)
Other expenses from ordinary activities		(224)	(287)	(855)	(462)
Share based payments		-	-	(255)	(510)
Investment impairment	5	(188)	-	(1,101)	-
Exploration expenditure expensed as incurred	3	(534)	(665)	(2,210)	(2,709)
Loss from ordinary activities before income tax expense		(1,114)	(912)	(4,895)	(3,323)
Income tax expense		-	-	-	-
Loss from ordinary activities after income tax expense for the period		(1,114)	(912)	(4,895)	(3,323)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the period attributable to members		(1,114)	(912)	(4,895)	(3,323)
Loss per share attributable to the ordinary equity of the company (on a weighted average equity basis)					
Basic loss per share (in dollars)		(\$0.003)	(\$0.004)	(\$0.014)	(\$0.013)
Diluted loss per share (in dollars)		(\$0.003)	(\$0.004)	(\$0.014)	(\$0.013)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2015

All amounts shown are expressed in Australian dollars

	Notes	31 Mar 2015 \$'000	30 June 2014 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	25,895	32,915
Receivables		359	337
Investments		-	1,359
TOTAL CURRENT ASSETS		26,254	34,611
NON-CURRENT ASSETS			
Receivables		35	35
Investments	5	2,757	3,321
Property, plant and equipment	4	478	58
Exploration and evaluation expenditure	3	24,469	4,578
TOTAL NON-CURRENT ASSETS		27,739	7,992
TOTAL ASSETS		53,993	42,603
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	6	446	281
Provisions – employee entitlements/rehabilitation	7	780	560
TOTAL CURRENT LIABILITIES		1,226	841
TOTAL LIABILITIES		1,226	841
NET ASSETS		52,767	41,762
EQUITY			
Contributed equity - ordinary shares	9	131,680	116,035
Option reserve	9	2,696	2,441
Accumulated losses		(81,609)	(76,714)
TOTAL EQUITY		52,767	41,762

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 31 MARCH 2015

All amounts shown are expressed in Australian dollars

	Note	Contributed Equity \$'000	Option Reserve \$'000	Accumulated Losses \$'000	Total Equity \$'000
Balance at 1 January 2015		131,680	2,696	(80,495)	53,881
Total Comprehensive loss for the quarter		-	-	(1,114)	(1,114)
Balance at 31 March 2015	9	131,680	2,696	(81,609)	52,767

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE THREE MONTHS ENDED 31 MARCH 2015

All amounts shown are expressed in Australian dollars

	Notes	For the three months ended 31 March	
		2015 \$'000	2014 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,165)	(352)
Interest received		227	333
Other – tax refund		523	-
		<hr/>	
Net cash used in operating activities		(415)	(19)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration activities		(1,937)	(695)
Payments for fixed assets		(54)	-
Payments for exploration prospects		-	(25)
Proceeds from sale of exploration prospects		-	30
Proceeds from sale of Investments		-	3
Loans to other entities – TriAusMin Convertible Note			(1,300)
Purchase of Investments	5	(15)	(1,880)
		<hr/>	
Net cash used in investing activities		(2,006)	(3,867)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	-
Payment of share issue cost		-	-
		<hr/>	
Net cash provided by financing activities		-	-
		<hr/>	
Net increase/(decrease) in cash & cash equivalents held		(2,421)	(3,886)
Cash & cash equivalents at the beginning of the reporting period		28,316	37,534
Cash & cash equivalents at the end of the reporting period	8	25,895	33,648

- (1) Figures prior to 5 August 2014 do not contain the financial results of TriAusMin Limited as this was prior to the merger with Heron Resources Limited.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED 31 MARCH 2015

NOTE 1 SUMMARY OF ACCOUNTING POLICIES**a) General**

This general purpose financial report for the reporting period ended 31 March 2015 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2014, the financial report for the half year ended 31 December 2014 and any public announcements made by Heron Resources Limited (ASX:HRR, TSX: HER) ("Heron" or the "Company") during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001. The financial report was authorised for issue by the Directors on April 17, 2015. The accounting policies adopted in the preparation of this financial report are consistent with those of the previous financial year and corresponding reporting periods and there have been no changes to the Company's Accounting Policies since the release of the 2014 annual audited Financial Statements on 26 September 2014.

Exploration, evaluation, development and restoration costs

Exploration, evaluation and development expenditure incurred is expensed immediately unless it relates to a specific project in which case it is carried forward to the extent that it is expected to be recouped through the successful development of the area, or by its sale.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

Accumulated costs are not carried forward in respect of any area of interest unless rights to tenure of that area are current.

Restoration costs that are expected to be incurred are provided for as part of the cost of the exploration, evaluation and development phases that give rise to the need for restoration.

Share based payments expense

Share based payments expense is recorded in the Consolidated Statement of Profit and Loss and other Comprehensive income every six months.

New revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised, or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

b) Going concern basis of accounting (all numbers in '000s)

The Company incurred a loss for the 3 months period after tax of \$1,114 (2014: loss \$912) and a net cash out flow from operating and financing activities of \$415 (2014: out flow \$19). The interim financial statements for the three month period ended 31 March, 2015 have been prepared on a going concern basis, as the Directors believe that the company has adequate funding to pay its debts as and when they become due for a period of twelve months from the date of approving this Report.

	Quarter ended 31 March 2015 \$'000	Quarter ended 31 March 2014 \$'000
Revenues from continuing activities		
Sundry income	-	30
Interest received - other persons/corporations	220	312
Total revenues from continuing activities	220	342

NOTE 2 REVENUE FROM ORDINARY ACTIVITIES

Revenues from continuing activities

Sundry income

Interest received - other persons/corporations

Total revenues from continuing activities

Quarter ended 31 March 2015 \$'000	Quarter ended 31 March 2014 \$'000
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NOTE 3 CAPITALISED EXPLORATION EXPENDITURE

Balance at beginning of period	23,417	5,070
Acquisition costs	-	25
Exploration costs incurred during the period	2,109	640
Less: R&D refund received during the period ⁽¹⁾	(523)	
Less: Exploration costs expensed during the period	(534)	(665)
Balance at end of period	24,469	5,070

The Directors have determined that the carrying values of exploration and evaluation expenditure have not been impaired as of 31 March 2015, based on the current values, as these amounts are expected to be recouped through successful development, or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, progress in the area of interest is continuing.

The above carrying values do not purport to represent the amount receivable by the Company in the event the interests in the mining tenements were farmed out or sold or the future value in use to the Company.

- (1) The R&D refund relates to expenditure incurred by the Company at Woodlawn and the KNP which are both assets that have carry forward capitalised expenditure.

NOTE 4 PROPERTY, PLANT AND EQUIPMENT

Quarter ended 31 March 2015 \$'000	Year ended 30 June 2014 \$'000
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Plant and equipment at cost	326	259
Accumulated depreciation	(301)	(235)
	25	24
Office equipment & furniture at cost	898	530
Accumulated depreciation	(782)	(496)
	116	34
Motor vehicles at cost	243	180
Accumulated depreciation	(231)	(180)
	12	-
Land & buildings at cost	325	-
Accumulated depreciation	-	-
	325	-
Total property, plant and equipment	478	58

Reconciliation

Plant and equipment:	\$'000
Carrying value at 1 July 2014	24
Additions	13
Depreciation expense	(12)
Carrying value at 31 March 2015	25
Office equipment and furniture:	
Carrying value at 1 July 2014	34
Additions	108
Disposals	(2)
Depreciation expense	(24)
Carrying value at 31 March 2015	116
Motor vehicles:	
Carrying value at 1 July 2014	-
Additions	14
Depreciation expense	(2)
Carrying value at 31 March 2015	12
Land & buildings:	
Carrying value at 1 July 2014	-
Additions	325
Depreciation expense	-
Carrying value at 31 March 2015	325

NOTE 5 INVESTMENTS IN ENTITIES - NON CURRENT

A1 Consolidated Gold Limited (AYC) is an Australian listed public exploration company with 250,016,873 fully paid ordinary shares on issue. Heron holds 32,866,668 fully paid shares at 31 March 2015, which have been valued at the closing price of \$0.04 on that day. Heron also holds 10,955,556 options exercisable for \$0.03 expiring 30 November 2019 which have been valued at the initial market price of \$0.01 per option and then marked to market at the closing price of \$0.009 per option as at 31 March 2015.

Golden Cross Resources Limited (GCR) is an Australian listed public exploration company with 94,797,744 fully paid ordinary shares on issue. Heron holds 19,048,529 fully paid shares at 31 March 2015, having acquired a further 250,000 via a GCR SPP during the quarter, which have been valued at the closing price of \$0.06 on 31 March 2015.

PLD Corporation Limited (PLD) is an Australian listed public exploration company with 627,582,141 fully paid ordinary shares on issue. Heron holds 3,750,000 fully paid shares at 31 March 2015, which have been valued at the closing price of \$0.006 on that day.

Newamu IP Holdings Pty Ltd is a subsidiary of The Simulus Group Pty Ltd in which Kalgoorlie Nickel Project Pty Ltd (a wholly owned subsidiary of Heron) has invested \$178,000. The investment is carried at cost.

INVESTMENTS IN OTHER ENTITIES AT FAIR VALUES

	31 March 2015 \$'000	30 June 2014 \$'000
A1 Consolidated Gold Limited	1,413	1,441
Golden Cross Resources Limited	1,143	1,880
PLD Corporation Limited	23	-
Newamu Pty Ltd	178	-
	2,757	3,321

Movement in investments

	\$'000
Golden Cross Resources Limited	
Carrying value 30 Jun 2014	1,880
Investment – Shares	15
Impairment	(752)
Carrying value 31 March 2015	1,143
A1 Consolidated Gold Limited	
Carrying value 30 Jun 2014	1,441
Investment - Shares	200
Impairment - Shares	(327)
Bonus issue of Options – initial val'n	110
Impairment - Options	(11)
Carrying value 31 March 2015	1,413
PLD Corporation Limited	
Carrying value 30 Jun 2014	-
Investment	34
Impairment	(11)
Carrying value 31 March 2015	23
Newamu Pty Ltd	
Carrying value 30 Jun 2014	-
Investment	178
Carrying value 31 March 2015	178
Summary	
Carrying value 30 Jun 2014	3,321
Investment	427
Bonus issue of options	110
Impairment	(1,101)
Carrying value 31 March 2015	2,757

NOTE 6 ACCOUNTS PAYABLE

	Quarter ended 31 March 2015 \$'000	Year ended 30 June 2014 \$'000
Trade creditors and accruals - Exploration activities:	273	166
Trade creditors and accruals - Other	173	115
	446	281

Trade creditors are non-interest bearing and are normally settled on 30 day terms.

NOTE 7 PROVISIONS

	Quarter ended 31 March 2015 \$'000	Year ended 30 June 2014 \$'000
Provision for annual leave	435	266
Provision for long service leave	315	294
Provision for tenement rehabilitation	30	-
	<u>780</u>	<u>560</u>

NOTE 8 CASH AT BANK

	Quarter ended 31 March 2015 \$'000	Year ended 30 June 2014 \$'000
Cash on hand and at bank	734	254
Deposits at call	24,785	27,638
Property Rental Bond	47	47
Environmental Bonds	329	377
	<u>25,895</u>	<u>28,316</u>

Cash security for Environmental Bonds of \$329,000 (30 June 2014: \$377,000) is included in Cash at Bank. This is not available to the Company for ordinary activities.

Property Bonds of \$46,545 (30 June 2014: \$46,545) are included in Cash at Bank. This amount is held as a security term deposit and is not available to the Company for ordinary activities.

NOTE 9 CONTRIBUTED EQUITY – ORDINARY SHARES

	Quarter ended 31 March 2015 \$'000	Quarter ended 31 March 2015 Number
Reconciliation of issued capital		
a) Ordinary shares		
Opening balance	131,680	360,877,723
Issue of new shares	-	-
Closing balance	<u>131,680</u>	<u>360,877,723</u>

b) Unquoted options:

Date	Details	Exercise price	Expiry date	Number
1 July 2014	Opening balance	-	Various	14,000,000
	Options cancelled	-	Various	(419,172)
	Options Issued to existing TriAusMin optionholders	Various	Various	2,424,890
31 March 2015	Closing balance	-	-	<u>16,005,718</u>

NOTE 10 CONTINGENT LIABILITIES**a) Performance bonds and rental bond commitment**

The Company has entered into performance bonds with the National Australia Bank Limited in relation to environmental rehabilitation of the NSW tenements of \$148,000 as at 31 March 2015 (30 June 2014: \$148,000) and a rental bond commitment (\$12,969) over its office in Sydney. The performance bonds and rental bond commitment are secured by a way of mortgage against the Company's Lewis Ponds freehold land. The Company also has performance bonds with Westpac Banking Corporation in relation to environmental rehabilitation of the WA tenements of \$329,000 as at 31 March 2015 (30 June 2014: \$377,000) and a rental bond commitment (\$46,545) over its Perth office. The Westpac bonds are secured by term deposits.

b) Agreement with Veolia Environmental Services (Australia) Pty Ltd ("Veolia")

In 2011, the Company and Tarago Operations Pty Ltd ("TOP"), a wholly owned subsidiary of the Company, entered into an agreement with Veolia, under which the Company agreed:

- (i) To assume the environmental liabilities associated with the Woodlawn site, excluding Veolia's area of operation. The Company will be required to provide a performance bond with the NSW Division of Resources and Energy (DRE) as surety against completion of environmental rehabilitation once mining on the site is complete. The amount of the bond is \$3,577,000.
- (ii) Subject to certain approvals being received by Veolia and the Company, the Company will receive "free-on-board" compost from Veolia to be utilised in the rehabilitation of the site.
- (iii) To fully indemnify Veolia for all direct and or consequential loss and damage suffered by Veolia as a result of or caused by or contributed to by any act or omission or default of the Company, or TOP, connected with its operations at the Woodlawn site.

c) Other contingent liabilities

Native title claims have been made with respect to areas which include tenements in which the Company has interests. The Company is unable to determine the prospects for success or otherwise of the claims and, in any event, whether or not and to what extent the claims may significantly affect the consolidated entity or its projects.

Rehabilitation of the Jump Up Dam tenements would cost up to \$1 million if the Company were to surrender the tenements.

NOTE 11: EVENTS SUBSEQUENT TO 31 MARCH, 2015

There have been no material events subsequent to 31 March 2015.

Directors' Declaration

The directors of the Company declare that:

1. The financial statements, comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity, accompanying notes, are in accordance with the Corporations Act 2001 and:
 - a. comply with Accounting Standards and the Corporations Regulations 2001; and
 - b. give a true and fair view of the consolidated entity's financial position as at 31 March 2015 and of the performance for the three and nine month periods ended on that date.
2. The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
4. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



C Readhead
Chairman



S Dennis
Chairman- Audit Committee

Perth
17 April, 2015



Heron Resources Limited

ASX:HRR • TSX:HER

www.heronresources.com.au